

DIRECT TESTIMONY OF THERESA P. LARKIN

BACKGROUND

Q. What is your name, business address and title?

A. My name is Theresa P. Larkin. I am Vice President of Regulatory Affairs for Ameritech Illinois. My business address is 225 West Randolph Street, Chicago, Illinois 60606.

Q. Please describe your educational background and previous job responsibilities at Ameritech Illinois.

A. I received my undergraduate degree from DePauw University, Greencastle, Indiana in 1978 where I majored in Economics. That same year, I began my career with Illinois Bell Telephone Company as an Assistant Manager in the Rates and Tariffs department with responsibility for Centrex Services. I was reassigned to Traffic Engineering in 1982 where I analyzed the switching requirements of various central offices and made recommendations regarding growth jobs and switch replacements. In 1988, I returned to the

Regulatory Department as District Manager - Revenue Requirements where my primary focus was managing interstate earnings. I held various positions with regulatory over the next several years including Director-Service Cost Operations where I directed regional service cost activities in support of state and federal initiatives.

In 1994, I became Director-Access Strategy in the Ameritech Telephone Industry Services business unit where I managed the various compensation arrangements between the Company and independent telephone companies in the 5-state region.

Prior to being promoted to my current position in October, 1999, I served as Director-Product Advocacy in Product Management. In this capacity I was responsible for all product-related regulatory activities associated with Ameritech's retail products including tariff and service cost development. In my current position I am responsible for oversight of the Company's regulatory activities, including its pricing and costing strategies,

as well as management of Ameritech Illinois' activities
in proceedings before the Commission.

Q. What is the purpose of your testimony?

A. The primary purpose of my testimony is to present certain modifications that would improve the operation of the current price regulation plan. I will also describe the process for incorporating merger savings into the price cap Plan as was anticipated by the Commission in its Order in Docket 98-0555 (the Merger Order).

PRICE REGULATION SHOULD CONTINUE FOR AMERITECH ILLINOIS

Q. What is the report card on the first six years of alternative regulation in Illinois?

A. As Dr. Harris and Mr. Gebhardt explain, alternative regulation has been a considerable success for Illinois.

Q. What should the Commission do as a result of this alternative regulation review proceeding?

A. Given the success of the current Plan, the Commission should allow the Plan to continue. However, based on the

last 5 years' experience, it would be appropriate to make a few, relatively minor adjustments in certain of the Plan's components to improve its operation. None of the changes I am proposing materially affect the underlying framework of the Plan as it currently exists. The next section of my testimony describes these adjustments. A revised Plan Summary, in the same format as Appendix A to the Commission's 1994 Order, is attached as my Schedule 1.

PLAN STRUCTURE AND PROPOSED MODIFICATIONS

Q. What is the purpose of this section of your testimony?

A. In this section I describe the various components of the Plan, including modifications that should be made on a going-forward basis.

Q. What are the components of the Company's price regulation plan?

A. Price changes are determined and controlled by a price index. As Mr. Gebhardt explains, the components include

a measure of inflation ("GDPPI"), a productivity offset ("X"), an exogenous change factor ("Z") and a service quality index ("SQ"). Hence, the formulation is:

$$\begin{aligned} \text{Current Year PCI} = & \\ & \text{Prior Year PCI } (1 + (\text{GDPPI \% change}/100) - X \pm Z - \text{SQ}), \\ & \text{where } X = 4.3 \end{aligned}$$

The calculated index, measured with the actual price index (API) to determine the reasonableness of price changes, is then applied to the four service baskets: Residence, Business, Carrier and Other. If the API is less than or equal to the PCI for each basket, the proposed price changes are presumed reasonable.

- Q. Are you proposing any change to the inflation measure?
- A. As Dr. Meitzen discusses, GDPPI is a widely accepted measure of economy-wide inflation. Therefore, I am recommending that GDPPI continue to be used as the measure of inflation. However, I am recommending that the so-called "fixed-weight" GDPPI which is currently used in Ameritech Illinois' price index formula be replaced by the "chain-weighted" GDPPI. Dr. Meitzen explains the differences between the fixed-weight GDPPI

and the chain-weighted GDPPI. The reason I recommend using the chain-weighted version of GDPPI is that, as noted by Dr. Meitzen, the U.S. Department of Commerce has replaced the fixed-weight GDPPI with the chain-weighted GDPPI as the "official" measure of inflation. I also recommend, based on Dr. Meitzen's analysis, that the other appropriate components of the X-factor also be measured on a chain-weighted basis.

Q. Please provide a description of the X factor as used in Ameritech Illinois' price index formula.

A. In its 1994 Order, the Commission included three components in its calculation of the X factor: a total factor productivity ("TFP") differential of 1.3 percent per year; an input price differential of 2.0 percent per year; and a consumer dividend of 1.0 percent per year. Added together, these equaled the 4.3 percent annual X factor the Commission adopted.

Q. Are you proposing any changes to the X factor going forward?

A. Yes. I am proposing a forward-looking X factor of 3.3%.

I will now explain each component of the factor in detail.

Q. Please describe your proposal for the productivity (TFP) differential.

A. Ameritech Illinois is proposing that the TFP component of the X factor be based on industry data. The USTA, as described by Dr. Meitzen, has conducted a study of total factor productivity for the industry (i.e., local exchange companies) that mirrors the Ameritech Illinois study which the Commission relied upon in its 1994 Order. The results of that study indicate a productivity differential between the industry and the economy of 2.3 percentage points over the 1992-98 period.

Because industry-wide data yields the economically appropriate productivity differential to use for a price regulation plan (as Dr. Harris explains), I recommend that 2.3 percentage points per year be used for the productivity differential component of the X factor.

Q. Please explain your proposal for the input price differential.

A. Again, Ameritech Illinois is proposing that the input price differential be based on industry data. As Dr. Meitzen explains, the industry-wide input price differential during the 1992-98 period was 1.0 percentage points. This input price differential, combined with the TFP differential, produces an X factor of 3.3%.

Q. Are you proposing to continue the consumer dividend component of the X factor?

A. No. First, as Dr. Harris explains, Ameritech Illinois should be allowed to retain the economic benefits of productivity gains that exceed the industry average.

Second, as Mr. Gebhardt explains, the consumer dividend in the existing Plan actually flowed more productivity gains through to customers than the Company achieved. Having received "excessive" benefits during the first five-year term of the Plan, it is appropriate to make a

correction at this stage and eliminate the cause of the problem.

Even if the Commission had correctly specified the input price differential, a 1.0% consumer dividend would have captured the majority of Ameritech Illinois' entire productivity gain for customers. This is an excessive allocation.

- Q. Is Ameritech Illinois proposing any changes to the exogenous change factor?
- A. Yes. The change I would propose would allow the Company to implement exogenous changes immediately in externally imposed circumstances such as Commission orders resulting in significant revenue decreases. As an example, the Commission recently ordered access reductions of more than \$30 million annually in Dockets 97-0601/0602. Under the current Plan, the Company is unable to recoup any of that revenue reduction through an exogenous change until its annual price cap filing in 2001, well over a year from the time of this substantial revenue decrease. To correct this uneven situation, I propose that the

exogenous factor treatment be changed to allow the Company to file for an exogenous change within 30 days of such a revenue reduction. Specifically, such a filing would allow the Company to raise the PCI immediately. With the resultant PCI being higher than the API, Ameritech Illinois would then be able to make more immediate offsetting price changes for faster recovery of any such Commission-ordered revenue reductions that might occur in the future. I propose that the threshold for exogenous treatment remain the same.

- Q. Please describe the service quality component of the current Plan.
- A. As Mr. Gebhardt explains, the Commission set out eight measures of service quality with annual benchmarks based on actual 1990-1991 performance. On an annual basis, the Company's performance is assessed with respect to the benchmarks. A penalty of .25% is then applied to the PCI for every missed benchmark for a total permissible adjustment of 2.0%. For example, if the Company missed one of the service quality benchmarks, .25% would be subtracted from the PCI for that year.

Q. Is Ameritech Illinois proposing any changes in the service quality provision going forward?

A. Yes. Although I agree that a service quality provision should continue to be a component of the Plan, I do propose some modifications. Specifically, I propose that the existing benchmarks continue with the exception of OOS>24. In addition, I recommend that the new service quality benchmark relative to speed of answer for calls to the business office and repair established by the Commission in its recent revisions to Il. Admin. Code 730 be added. (Order in Docket 98-0453 issued February 9, 2000 at 730.150). This new provision reads:

"The average speed of answer for calls placed to the business offices and repair offices shall not exceed 60 seconds where a representative or automated system is ready to render assistance and/or accept information to process calls."

However, the Company is proposing a further modification to this component of the index to make its application more symmetrical.

Q. Why are you recommending that OOS>24 be excluded in the future?

A. One of the merger conditions imposed by the Commission in its order in Docket 98-0555 was to subject the Company to large financial penalties of up to \$30 million/year for failure to meet the OOS>24 benchmark of 95% for the next 5 years. Therefore, since this service quality issue has been made a merger compliance issue, it should be handled as part of merger compliance and not in the price index Plan itself.

Q. What is your proposal to make application of this component more symmetrical?

A. Under the current plan, if the Company misses a service quality benchmark, a deduction of .25% is applied to that year's PCI. However, no future PCI adjustments are allowed, so the deduction stays in place in all subsequent years, even if the benchmark is never missed again. Thus, any penalties remain far beyond the year in which they are incurred.

To correct this, I propose that the .25% penalty be applied to the PCI whenever a benchmark is missed just as with the current Plan. However, if the benchmark is met the following or any subsequent year, the PCI should be adjusted upward by .25% in that year. This would effectively remove the penalty once the service quality situation has been corrected and would bring the Company back to the status quo involving that service quality standard.

Q. How do you propose to deal with a situation in which a given service quality component was missed in two consecutive years?

A. In such a circumstance, a deduction of .25% would be made to the PCI in Year 1 and another deduction of .25% would be made in Year 2 (total .50%). If the Company then meets the benchmark in Year 3, the PCI would be adjusted upward by .50%.

Q. What services should be subject to the Plan going forward?

A. The Plan should continue to apply to the Company's non-competitive services within the Illinois state jurisdiction as contemplated by the Illinois statute with certain exclusions.

Q. What services are you recommending be excluded in the future?

A. The following services should not be subject to the Plan:

1. Access services were recently addressed by the Commission in Dockets 97-0601 and 97-0602, resulting in a prescribed formula to be used to set prices for switched access services. Other access services subject to the Plan are provided almost exclusively through contract. As pricing for these services is now independently set, there is no longer a basis for retaining them in the Plan.
2. Wholesale services are priced in accordance with the Commission's Order in Dockets 95-0458/0531. Under this order, prices are determined by a formula and potentially a capping mechanism as proposed in Docket 98-0860. Therefore, there is no basis for these services to be subjected to multiple pricing rules.

3. All 911 emergency services should be excluded for the same reasons that E-911 emergency services were excluded in Dockets 92-0448/93-0239 consol.
4. Unbundled Network Elements (UNEs) should be excluded for the same reasons that the Commission excluded such offerings in Dockets 96-0486/0569.

Q. What pricing basket structure is appropriate under the Plan going forward?

A. The Plan should be modified so that the services remaining under price regulation and subject to the Plan are contained in a single pricing basket. As Mr. Gebhardt and Dr. Harris explain, this structure will have several benefits: it will better fit the services that remain under price regulation; it will allow greater flexibility in structuring discounted service packages for customers; and it will permit a meaningful opportunity to restructure rates to improve imbalances that still exist in the Company's pricing structure.

Q. How should the price index be applied to this basket?

A. I am proposing no change to the application of the price index.

Q. What latitude should the Company have to adjust rates within the basket?

A. The principle of revenue-neutral price adjustments within a basket remains sound; however, as Mr. Gebhardt explains, the initial limitation the Commission placed on any improved pricing flexibility (two percent plus the percentage change in the price index) has entirely eliminated the value of this provision. Based on experience and the dynamic changes that Dr. Harris documents in Illinois markets, the Commission should modify the Plan to permit up to a fifteen percent price increase per year for a given service price, if offset by price decreases on other services sufficient to preserve the overall price cap index limitation (as the Plan currently requires).

Q. Why is fifteen percent the appropriate allowable pricing adjustment?

A. As I just explained, the current two percent limit (coupled with the fact that the current formula is further restricted by the difference between the GDPPI and the X factor which has consistently been negative) has effectively negated any opportunity for any upward price changes over the life of the Plan. In addition, the residential price cap has left residence access line rates frozen since 1990, when the Commission concluded Ameritech Illinois' last general rate case (Docket 89-0033). This revision is therefore necessary in order to have increased pricing flexibility in the emerging competitive environment, to allow prices for residence access lines to be brought closer to costs within a reasonable amount of time, and to have the ability to achieve and maintain better cost/price relationships for other services.

To illustrate, there should no longer be any economic or policy reasons for price differences between residence and business access lines in similarly situated markets, which have virtually identical costs. However, in order to bring at or below cost residence access line prices even to the same level as business line rates would take

up to 5 years with a 15% annual price change allowance.

In access Area A, for example, residence monthly access line prices are \$2.55 and comparable business prices are \$5.00. Assuming maximum 15% per year increases, it would take 5 years for residence rates to equal business rates.

Q. Should the Plan include a cap on residence rates?

A. Definitely not. The cap on residence rates expired at the end of the fifth year of the Plan and should not be reinstated. A residence rate cap would preclude necessary rate adjustments that would make the Company's rate structure more economically rational and facilitate competition. Furthermore, as I explain later, whatever merit there was in 1994 to capping these rates to provide an extra measure of "benefit" and rate protection to residence consumers, such a cap is neither necessary nor reasonable at this point in time.

Q. Should the Plan contain a specific infrastructure commitment?

- A. No. As Mr. Gebhardt documents, the Company exceeded the infrastructure commitment that it made in the original alternative regulation order, creating many benefits for customers and for Illinois. In its merger Order, the Commission already specified the manner in which this commitment should be carried forward under alternative regulation.

Therefore, it is no longer necessary for the Alternative Regulation Plan to contain a separate infrastructure commitment. However, the application of the \$3 billion commitment requires clarification in one respect. The FCC's SBC/Ameritech merger order requires that all advanced services (e.g., packet switching and ADSL) must be provided by a separate subsidiary. In Illinois, that is Ameritech Advanced Data Services or "AADS", which is separately certificated by this Commission. Thus, on a going-forward basis, some of the network infrastructure supporting advanced services will be made by Ameritech Illinois and some of it will be made by AADS. The Commission needs to affirm that AADS' investment in advanced infrastructure will be considered in determining

the Company's compliance with the Merger Order's \$3 billion obligation.

Q. Are there any other aspects of the Plan you will discuss?

A. Yes. I will discuss capital recovery freedom and changes that should be made to reporting requirements.

Q. Are you proposing a change to capital recovery?

A. Yes. For the purpose of calculating the depreciation cost component of cost studies, we propose that the Plan adopt the use of the same depreciation rates that the Company uses in its annual reports to the Commission. The Plan will provide that these depreciation rates must be consistent with Generally Accepted Accounting Principles (GAAP). The economic life of the Company's facilities does not vary based on the regulatory purpose for which a particular cost or depreciation calculation is being made. Thus, there is value in the consistency of using one set of depreciation rates for all regulatory purposes before the Commission, and specifying this practice in the Plan will avoid inconsistencies and

regulatory costs.

Q. Has the Company identified particular reporting requirements that should be streamlined or eliminated?

- A. Earlier, Mr. Gebhardt filed testimony in this docket reviewing existing reporting requirements, and identifying those that could be streamlined to reduce the cost and complexity of regulation without any loss in the Commission's ability to obtain information it may need to fulfill its oversight duties. My Schedule 2 summarizes those reports that the Company proposes be eliminated.
- Q. Have you prepared a schedule showing all your recommended changes to the current Plan?
- A. Yes. As I noted above, my Schedule 1 is a replication of Appendix A to the Commission's 1994 Order. In legislative style, I have indicated all changes I am recommending to the Plan, as well as detailing how implementation would occur.
- Q. With the modifications you propose, will the Alternative Regulation Plan continue to satisfy the regulatory and statutory criteria which the Commission addressed in its 1994 Order?

A. Yes. As I indicated earlier, the modifications which the Company is proposing do not impact the basic framework of the Plan, and the Commission concluded in 1994 that the Plan satisfied these regulatory and statutory criteria. In fact, they will improve its overall operation. Therefore, these regulatory and statutory criteria will continue to be met.

Q. Are the revisions you propose to the Plan which increase pricing flexibility consistent with these regulatory and statutory criteria?

A. Yes. In the original Plan there were several provisions, per statute or Commission order, designed to provide customer protections. These include such items as the residence rate cap, multiple pricing baskets, and the 2% plus percentage change in the price index limitation on price increases.

These may have been appropriate conditions or limitations at the time the Plan was initialized. These conditions and restrictions were imposed to assure that customers, particularly residence customers, were not harmed by this

change in form of regulation, since the alternative regulation concept was new and being implemented for the first time in Illinois. However, now that alternative regulation has been in place for over five years and has been shown to perform as envisioned, without harm to residence or other customers, some of these conditions can, and should, be modified or eliminated.

As I have stated earlier, certain of these pricing restrictions must be eased or removed in order for Ameritech Illinois to be able to better align certain of its rates with their specific economic costs. In the long-run, such rate realignments must be made and they will ultimately be beneficial to residence and other customers.

Q. Please explain how increased pricing flexibility improves the functioning of the Plan.

A. The best example to use is the residence access line prices which were capped for the first three years of alternative regulation as a result of statute and the next two years by the Commission's 1994 Order. As I

stated earlier, because of these restrictions, residence access line prices have not changed since 1990, or over 10 years. Moreover, because of historical universal service objectives, the frozen residential rates were below economic-based levels at that time.

The result of this has been a continued subsidy flow between services. Since residence rates have been below proper economic levels, other rates have been above proper economic levels. If the current residence caps, 2% pricing limitations, and service groupings by basket were continued in the revised Plan, Ameritech Illinois would be unable to address these rate/cost disparities.

For economically sound competition to develop for all customers and services, these types of restrictions cannot continue. Competitors will not enter the residence market against rates that are at or below LRSIC levels. Instead, competitors will target services whose rates are providing support to other services and, thus, are artificially high. Furthermore, the competitors' rates for such services also will not be driven by economic costs, but by Ameritech Illinois' prices. Thus

customers will not receive true market driven prices from either Ameritech Illinois or competitive providers.

Q. Are you proposing a future review of the Alternative Regulation Plan?

A. No. The purpose of this current review was to assure that this new form of regulation functioned properly. As demonstrated here, our five-year experience with the Plan supports its continuation. Therefore, there is no merit in scheduling another review of the Plan in its entirety in the future.

However, the Company would not object to submitting updated information on the two key financial components of the index at an appropriate interval (i.e., GDPPI and the X factor). I propose that in 2007, at the time the Company submits its annual filing for 2006, the Company could provide updated information and/or studies relative to these factors for the Commission's review.

Q. Does the Public Utilities Act provide the Commission with an opportunity to initiate a review proceeding if there

are unexpected marketplace or economic developments that jeopardize the continue viability of the Plan?

A. Yes. Section 13-506.1(e) allows the Commission (or a party) to initiate such a proceeding. Therefore, there is no reason to mandate another review.

Q. Under what conditions would the alternative regulation Plan terminate?

A. Currently, the reclassification of all services governed by the Plan to competitive status would effectively conclude the alternative regulation Plan by leaving no more services subject to the price index. In Schedule 1, I provide specific language that clarifies this possibility.

MERGER SAVINGS

Q. Please explain the Commission requirements with respect to merger savings.

A. In its Merger Order (Merger Order, Docket 98-0555, p.

149), the Commission required that one-half of the net actual merger savings be flowed through to Ameritech Illinois' customers. Specifically, the Commission required that actual net merger savings be tracked on a calendar year basis and identified in the Company's annual price cap filing until a permanent adjustment of the price index formula could be effected in this review proceeding. Furthermore, the Commission specified that merger savings should first be attributed to unbundled network element purchasers (through revised cost studies to be filed in connection with the Merger Order), and then to carrier access and other customers in proportion to the revenues that each contributes to the total revenue base. Finally, the Commission required that carrier access customers receive their share of merger savings through reductions to access charges (including the PICC), and that end user customers should receive their share of merger savings through per-line credits.

- Q. What else did the Commission order with respect to the merger savings issue?
- A. The Commission required the retention of an independent

third-party auditor to aid the Commission in determining the appropriate methodology and standards for tracking merger savings. An auditing firm has been retained and is to complete its report to the Commission by September 2000.

Q. Are there timing issues?

A. Yes. The Commission's Merger Order requires that the permanent solution be based on actual (not estimated) net merger savings. As explained in the Merger docket, SBC/Ameritech did not expect to reach a "going level" of merger savings until the end of the first three-year period following merger implementation. Thus, the Commission will not have the actual data required to make permanent rate changes until the first quarter of 2003. This time frame extends well beyond the expected final order in this proceeding. Thus, the Commission will only be able to determine a flow-through methodology now -- not the permanent rate changes themselves.

Q. Are there other complications?

A. Yes. The price index only applies to noncompetitive services. However, merger savings are being achieved throughout Ameritech Illinois' operations. It would be inappropriate to flow the entirety of these savings through to noncompetitive services.

Q. What options are available to the Commission?

A. The first option would be to continue the Commission's interim flow-through approach indefinitely. The major problem with this approach is that it would potentially require the tracking of actual merger savings for the foreseeable future. I believe it will be more and more difficult to determine these savings as time goes forward, because it will become increasingly difficult to determine how the Company would have operated without the impact of the merger. In addition, the amount of the savings would likely be subject to dispute each and every year, something that should be avoided. I would also point out that UNE cost studies reflecting estimated merger savings have been filed in accordance with the Merger Order. Until rates reflecting these savings are put into effect, no merger savings will flow to unbundled

network element purchasers as the Commission specified.

Q. Could savings be reflected in the X factor?

A. No. The X factor is determined based on TFP studies, which in turn are based on historical data. Dr. Meitzen's analyses reflect operating results over the 1992-1999 time period. There were no merger savings during that period and there is no accepted way to incorporate forward-looking, estimated merger savings into a TFP calculation.

Q. What do you conclude given all the considerations you have addressed concerning merger savings?

A. I conclude that final resolution of the merger savings issue will be an extremely complex undertaking, and that it may be years after this review proceeding is concluded before we achieve finality as to the amount of actual merger savings to be reflected in prices. In recognition of these circumstances, what I propose here is a process that the Commission can adopt at this time.

Q. What are your recommendations for resolving the merger savings issue?

A. My recommendations cover two periods of time - the first to include the period from October, 1999 to December 31, 2002, and the second to cover periods beyond the year 2002.

Q. Please describe your recommendations for the first time period.

A. For this period, my recommendation is to continue to handle merger savings in the context of the annual filings, as the Commission envisioned in its Merger Order. Subject to the Commission's audit report, net savings would be reflected in the April, 2001 and 2002 filings just as they were in the April, 2000 filing. Therefore, actual savings for 1999-2001 would be reflected in rates effective in July, 2002. Merger savings would be flowed through to customers in per-line credits, as contemplated by the Commission's Merger Order. By the end of calendar year 2002, a permanent going-forward level of merger savings should be

available.

Q. Please provide a specific example of how savings in the first period would be handled.

- A. In my Schedule 3, I have created a numeric example showing how the flow through would occur. On that schedule, I also show the data sources that would be used to determine the various values.
- Q. Please discuss your recommendation for the second period, including 2003 and beyond.
- A. As I stated earlier, merger savings for the year 2002 should be considered the permanent, going-forward level achieved into the future. Thus, for the April, 2003 annual filing, the Company would propose a one-time adjustment to the PCI to reflect the ongoing savings level. This new PCI, including the merger savings adjustment, would become effective in July, 2003. At the same time, the per line credits established in Period 1 would terminate. The amounts allocated to carriers and UNE purchasers would also change based on updated demand and revenues, as my Schedule 3 illustrates for the April, 2003 filing.

Q. Since the price index change will only affect non-competitive customers and services, how will the savings be reflected for competitive customers and services?

A. Competitive customers and services should be governed by market forces. Accordingly, no explicit flow-through to competitive customers and services should be necessary. Having said that, I understand that the Commission's Merger Order made no such distinction and explicitly required that fifty percent of the net merger savings be flowed-through to all customers. Considering all this, I recommend that competitive customers and services continue to receive a per-line credit as established in time period 1, albeit at a different level to be determined when we have actual 2002 data available.

Q. Under this approach to merger savings, what would happen as customer lines are reclassified, i.e. from noncompetitive to competitive (and vice versa)?

A. When customer lines are moved to the competitive category, they would begin to receive the same per-line

credit as received by all other competitive customer lines. If customer lines are moved to the noncompetitive classification, they would fall under the already-adjusted price index and would receive their share of merger savings from that mechanism. Line credits would cease at the time of reclassification from competitive to noncompetitive status.

CONCLUSION

Q. Do you have any concluding comments?

A. Yes. The Commission's adoption of the Plan has proven to be the success the Commission had hoped, and we urge the Commission to continue the Plan with the modifications we are proposing.

Q. Does that complete your testimony at this time?

A. Yes, it does.